

Department of Economic Development Performance Plan

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August 1, 2008



CountyStat Principles

- **Require Data-Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



Agenda

- Welcome and Introductions
- Impact of DED on Montgomery County Result Areas
- DED At-A-Glance
- Savings
- Hiring Freeze
- Organizational Chart
- Headline Measures
- Wrap-up and Follow-up Items



Contribution to Montgomery Results

- **A Responsive and Accountable County Government**
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- **Healthy and Sustainable Communities**
- Safe Streets and Secure Neighborhoods
- **A Strong and Vibrant Economy**
- **Vital Living for all of Our Residents**



Department of Economic Development At-A-Glance (1 of 3)

What DED Does and for Whom	How Much (FY08)
<p><u>Overall</u></p> <p>DED's vision is to make Montgomery County the "Smart" business location in a competitive, knowledge-based, global economy. Its core mission is the creation, retention, expansion and attraction of businesses in the County to foster investment and job creation, develop strategic infrastructure projects, such as technology and life sciences parks, business incubators, conference center and multi-use arena.</p>	<ul style="list-style-type: none">▪ 49.1 WYs▪ \$4,428,614 in personnel costs▪ \$3,699,126 in operating costs
<p><u>Marketing and Business Development</u></p> <ul style="list-style-type: none">▪ Showcases the assets of the County in a global economy through promotional activities, communication, event coordination, global marketing and advertising, and dissemination of information through various media.▪ Attracts and retains businesses with qualified business leads ("Prospects") identified through research, business visitations, contacts, networking, tradeshow, and business missions.▪ Helps strengthen key industry clusters in the County through targeted industry sector programs.	<ul style="list-style-type: none">▪ 8 WYs▪ \$1,005,515 in personnel costs▪ \$497,709 in operating costs▪ 18% of DED budget▪ Makes 2,000 - 2,400 contacts/year to develop 220 plus prospects.
<p><u>Small and MFD Business Support (Business Empowerment)</u></p> <ul style="list-style-type: none">▪ While ensuring that the knowledge-based economy enhances all sectors of the business community, focus on providing direct hands-on support to the County's small, ethnic minority, and woman owned businesses by developing resources such as technical publications, and forming service delivery partnership such as SBDC, LEDC, and Macklin Institute, and Dingman Center.▪ Operates programs such as Incubator Network, Mentorship Program, and the Micro-Enterprise Program to a selected number of businesses or entrepreneurs to improve their growth or smooth establishment of their business ventures.	<ul style="list-style-type: none">▪ 11 WYs▪ \$1,151,553 in personnel costs▪ \$134,246 in operating costs▪ 16% of DED budget▪ Delivers 25-50 training events/year▪ Incubates 85-110 companies/year



Department of Economic Development At-A-Glance (2 of 3)

What DED Does and for Whom	How Much (FY08)
<p><u>Finance, Administration, and Capital Projects</u></p> <ul style="list-style-type: none">▪ Stimulates business growth and expansion by underwriting and issuing grants and loans from the five programs of the Economic Development Fund (EDF). Focus is to induce capital investment and job creation from the private businesses and to leverage funds from the state and other public entities for the County's projects.▪ Plans, develops, and manages capital projects that add growth capacity for the County through private/public, or public/quasi-public entity partnerships.	<ul style="list-style-type: none">▪ 7 WYs▪ \$651,821 in personnel costs▪ \$2,013,877 in operating costs▪ 33% of DED budget▪ Conducts due diligence on 75-85 applications to underwrite 25-30 EDF transactions/year▪ Oversees two technology park projects
<p><u>Workforce Development</u></p> <ul style="list-style-type: none">▪ Operates three One-Stop Career Centers in the County to provide array of career assessment, job readiness training, skill enhancement training services to dislocated workers and at-risk youth population.▪ Provides job placement service to job-seeking public and provides recruitment services for employers.	<ul style="list-style-type: none">▪ 5 WYs from County Funds▪ \$364,283 in personnel costs▪ \$597,956 in operating costs▪ 12% of DED budget▪ U.S. Department of Labor's \$2.1M grant supports One Stop Career Centers▪ U.S. DOL grant of \$360K to LAYC-MD Multi-Cultural Youth Center



Department of Economic Development At-A-Glance (3 of 3)

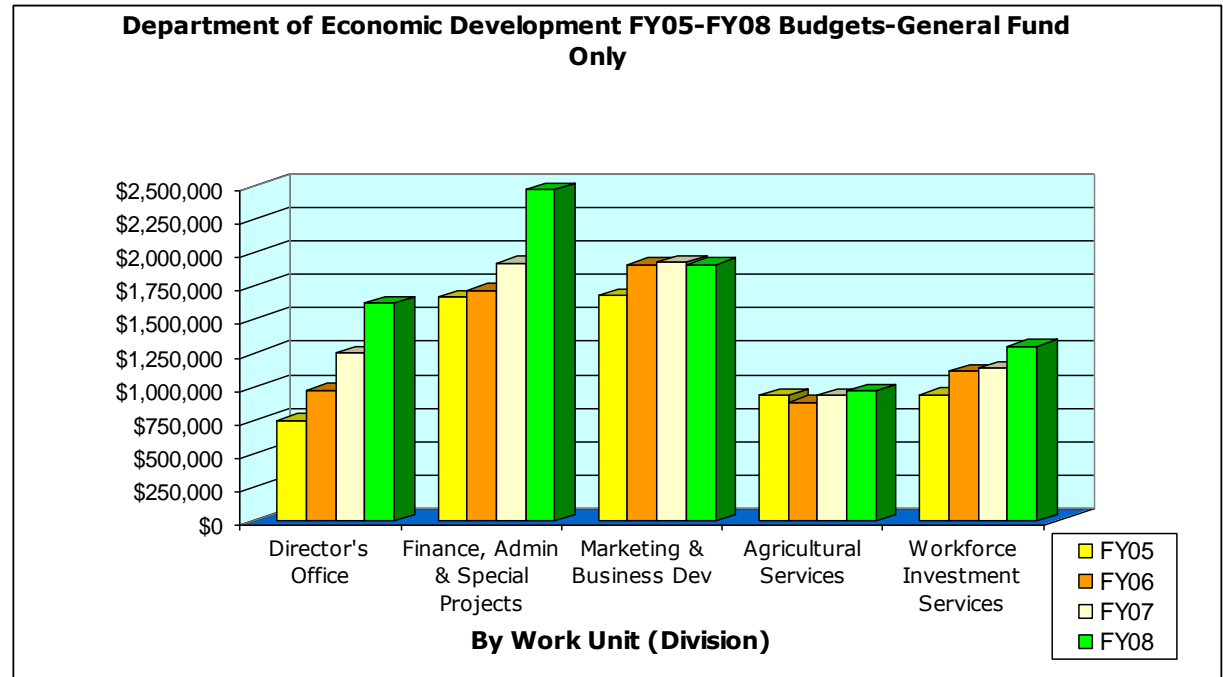
What DED Does and for Whom	How Much (FY08)
<u>Agricultural Industry Support</u> <ul style="list-style-type: none">▪ Protects farmland and environmental resources through protective easements and Transferable Development Rights (TDRs).▪ Supports, and facilitates agricultural community's stabilization through soil conservation training and education; draught assistance, planning and marketing assistance for the farmer's market and farm tours, providing technical assistance to implement best farming practice, and providing guidance on developing alternative crops and revenue sources.	<ul style="list-style-type: none">▪ 7.2 WYs▪ \$686,519 in personnel costs▪ \$323,204 in operating costs▪ 12% of DED budget▪ \$6.4 million in Land Preservation CIP▪ 2,000 plus acres/year protected
<u>Strategic Planning (Director's Office)</u> <ul style="list-style-type: none">▪ Provides strategic planning and initiates various studies for the County to form knowledge based industry clusters.▪ Establishes strategic partnership with the federal/state agencies, higher educational institutions, and industry groups to foster synergistic economic development.▪ Provides leadership in legislative initiatives to ensure that County maintains its competitive advantages and innovative business climate.▪ Establishes global linkages, and serves as the global ambassador for the County.	<ul style="list-style-type: none">▪ 5.2 WYs▪ \$568,924 in personnel costs▪ \$131,985 in operating costs▪ 8% of DED budget



Department of Economic Development: Budgetary Overview

FY05-FY08
Total General
Fund Budget

FY05	\$5,973,598
FY06	\$6,596,147
FY07	\$7,168,100
FY08	\$8,273,356



Marketing & Business Development and Finance, Administration & Special Projects are the highest funded Work Units in DED.



Savings

FY08 Reduction: \$165,470, representing a 2% savings

- Lapses for vacant positions \$165,000

▪ Impact

- Overtime payment to staff was increased due to the additional workload, but service impact was minimal

FY09 Reduction: \$392,910, representing a 5% savings

- Eliminated 2.0 BDS Positions \$207,320
- Eliminated 1.0 IT Position \$88,010
- Eliminated 2.0 Intern Positions (.4 WY) \$11,230
- Reduced Director's Office – Non Local Travel \$5,050
- Reduced Ag Services-Cooperative Extension Service \$10,600
- Reduced Business Empowerment-SBDC \$15,000
- Reduced Business Empowerment Consultants \$5,700
- Eliminated Workforce Services-Alliance Grant \$50,000

- (This grant was later restored by the County Council as Community Empowerment Grant)

▪ Impact

- Elimination of two BDS positions will reduce DED's prospect handling capacity by at least 15% (DED had 12 WY in Marketing and Business Development in FY07. In FY09, it is down to 8 WY with only 5 WY working on prospects)
- Elimination of IT position will force DED to expend operating funds to acquire IT services that DTS will not provide or provide within DED's timeline
- Combined reduction of \$36,350 in operating funds will reduce DED's advertising fund further down to \$80,000 (it was \$750,000 in FY03) limiting the ability to develop pipeline of prospects



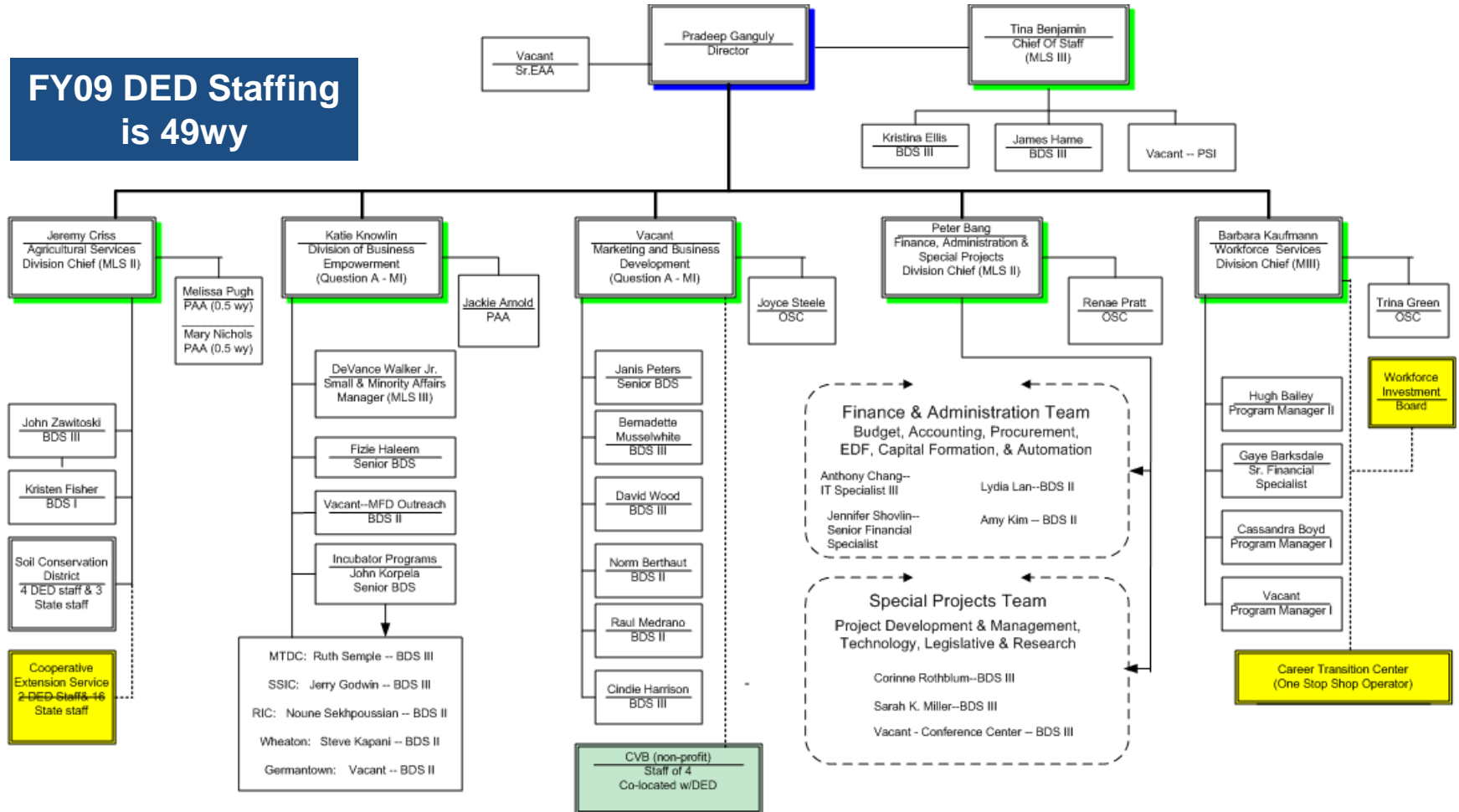
Hiring Freeze

Impact

- Two BDS positions, both in the Division of Business Empowerment remain unfilled
- One position is for the MFD business outreach staff, and a request for waiver on Hiring Freeze was denied in late FY08
- The other position is for the Germantown Business Incubator that will be requested on a waiver in August



Department of Economic Development Organizational Chart

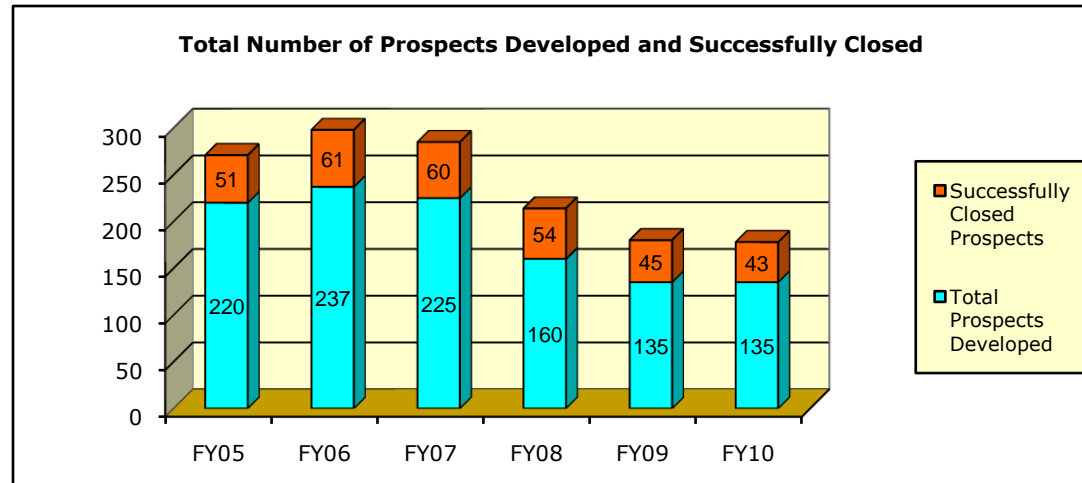


Existing Headline Measures

- 1) Number of Prospects Developed and Successfully Closed
- 2) Breakdown of Successful Prospects by Employee Size
- 3) Number of New Jobs Created with DED Assistance
- 4) New Revenue Created and Capital Investment Induced
- 5) Number of Units of Technical Assistance Provided
- 6) Average Satisfaction Rating on Technical Assistance Provided
- 7) Result of Workforce Assistance Program
- 8) Results of the Incubator Network Operation
- 9) Preservation of Farmland



Measure 1: Number of Prospects Developed and Successfully Closed



- A “Prospect” is defined as a qualified business lead that plans to either start a new business, relocate or expand within 24 month of initial contact and that has received assistance from DED.
- A “Successfully Closed” refers to either a new business start-up, completed expansion or attraction cases.
- Due to the differing scale of their economic impacts, DED will track prospects in three different employee sizes: under 5, 5 to 50, and over 50.

Demonstrates the overall success of DED’s marketing, business development, financial assistance, and small and MFD business assistance programs.



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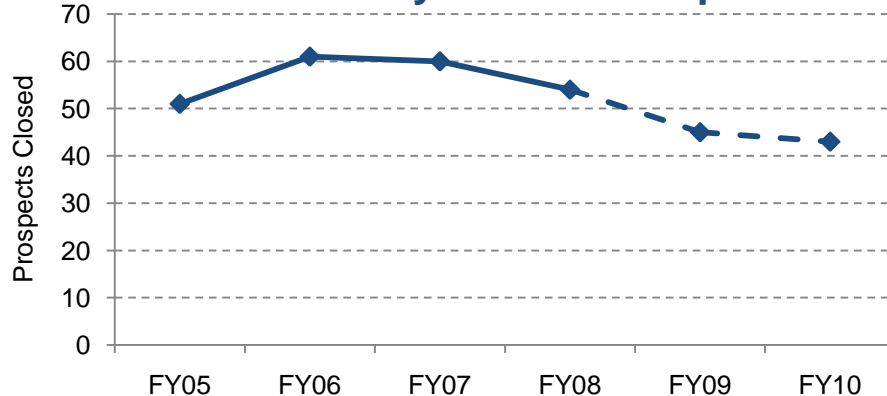
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Measure 1: Number of Prospects Developed and Successfully Closed

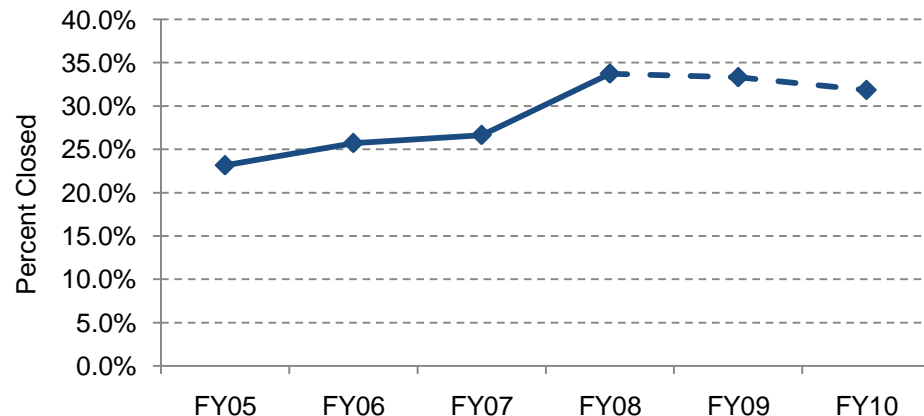
▪ CountyStat Analysis & Recommendations

- Repurpose measure to read “Developed Prospects Closed” and include both total numbers and percentages
 - Use aggregate annual totals to compare to regional and national performance
 - Potentially use rolling averages to normalize for business cycle
- Historical data for this measure could be used to evaluate the impact of the prospect closure of long-term economic trends

Successfully Closed Prospects



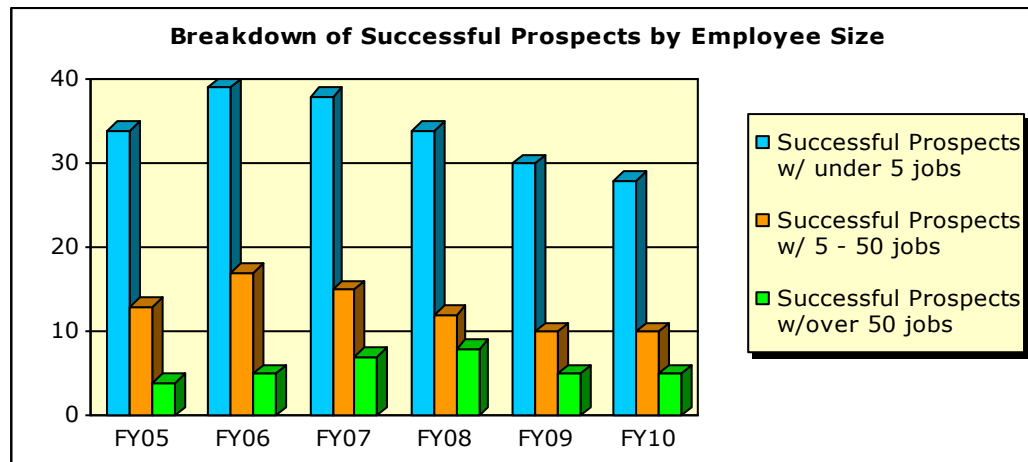
Percentage of Developed Prospects Closed



Regional and national standards can serve a benchmark for County performance



Measure 2: Breakdown of Successful Prospects by Employee Size



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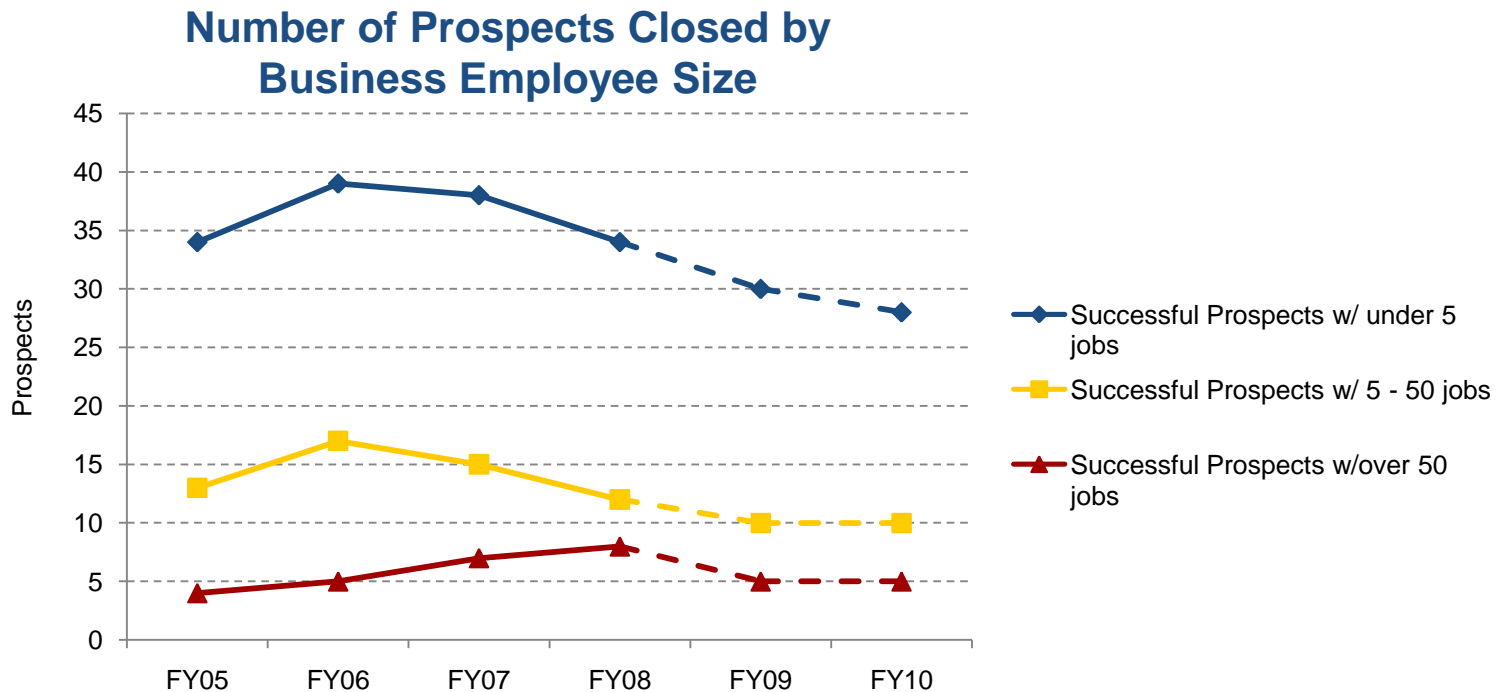
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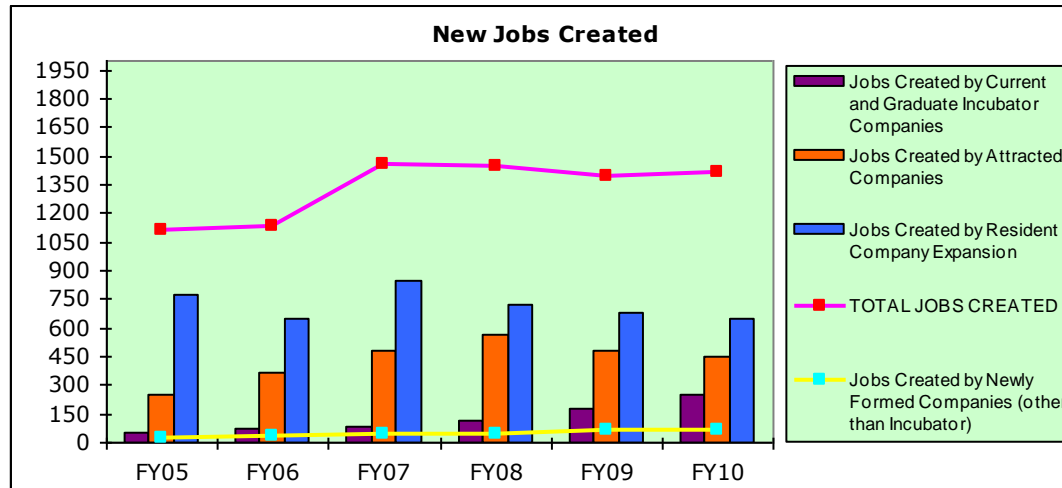
Measure 2: Breakdown of Successful Prospects by Employee Size

▪ CountyStat Analysis & Recommendations

- Convert measure from headline to supporting measure
 - Monitor annual totals by job size to ensure that DED is adequately targeting its services to a broad representation of potential businesses in Montgomery County
- Conduct analysis of downward trend in successful closure of prospects with less than five jobs



Measure 3: Number of New Jobs Created with DED Assistance



- This performance measure sums the total number of new jobs that were created by successfully closed prospect transactions and by the businesses that received direct assistance (financial and/or technical) from DED during a fiscal year.
- It is comprised of: jobs created by the companies in the County's four incubators; jobs created by relocated and expanding businesses; and jobs created by newly formed businesses.
- Other than the projects where the County provides funds, DED does not have the means to audit the payroll records of the company. As such, we rely on self reporting by the company, the D&B Database, and CoStar Tenant database to collect company's payroll information.



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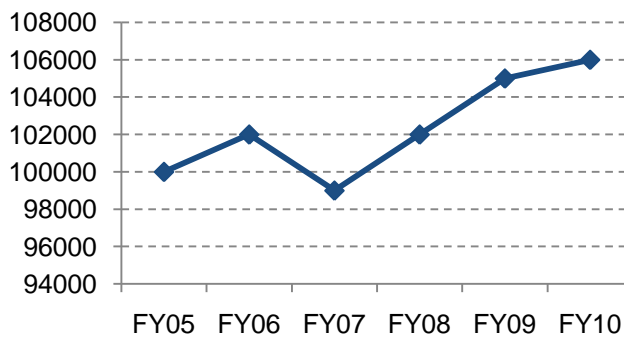
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Measure 3: Number of New Jobs Created with DED Assistance

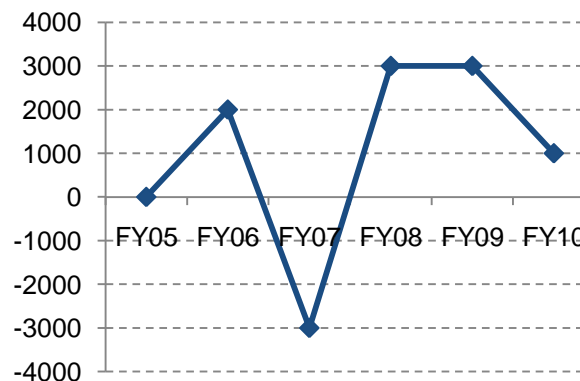
CountyStat Analysis & Recommendations

- DED should monitor total job growth or decline in the County as compared to regional and national performance
1. Calculate total number of jobs for Montgomery County and other benchmark jurisdictions
 2. Calculate the annual percent change in total number of jobs for each jurisdiction
 3. Create an index (average of averages) for all regional jurisdiction
 4. Compare performance of Montgomery County to other regional and national performance benchmarks

**Step 1
Total Jobs**



**Step 2
Total Job Change**

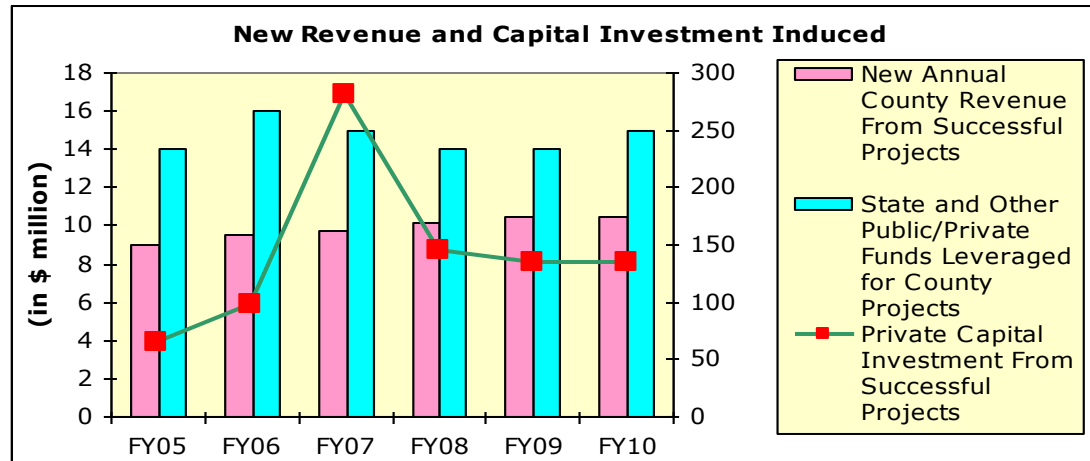


**Steps 3 & 4
Comparative Job
Growth Index**

Jurisdiction	Quarter 1 FY09
Regional	+.05
National	+.03
Montgomery County	+.056



Measure 4: New Revenue Created and Capital Investment Induced



- This performance measure sums the total revenue impact from DED's programs including property taxes from Economic Development Fund assisted companies; operating revenues from the County's four incubators; and operating revenues from the Bethesda North Conference Center.
- The New Annual County Revenue is captured through the County's MUNIS Database and only includes revenue derived from the real and personal property tax.
- The New Annual County Revenue is cumulative amount of tractable prospect completion cases.

Leveraged funds include all monies that DED receives from other governmental and non-governmental entities to support its programs.



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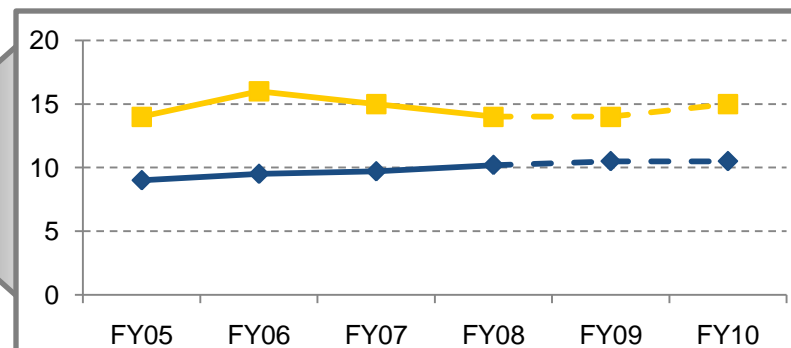
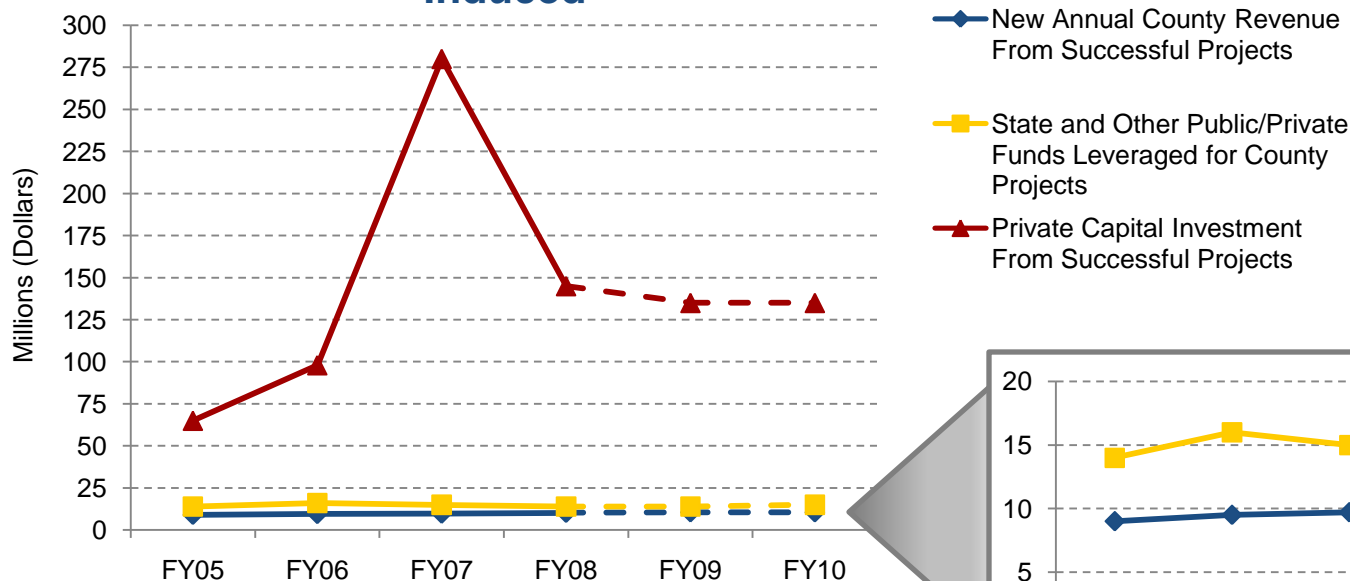
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Measure 4: New Revenue Created and Capital Investment Induced

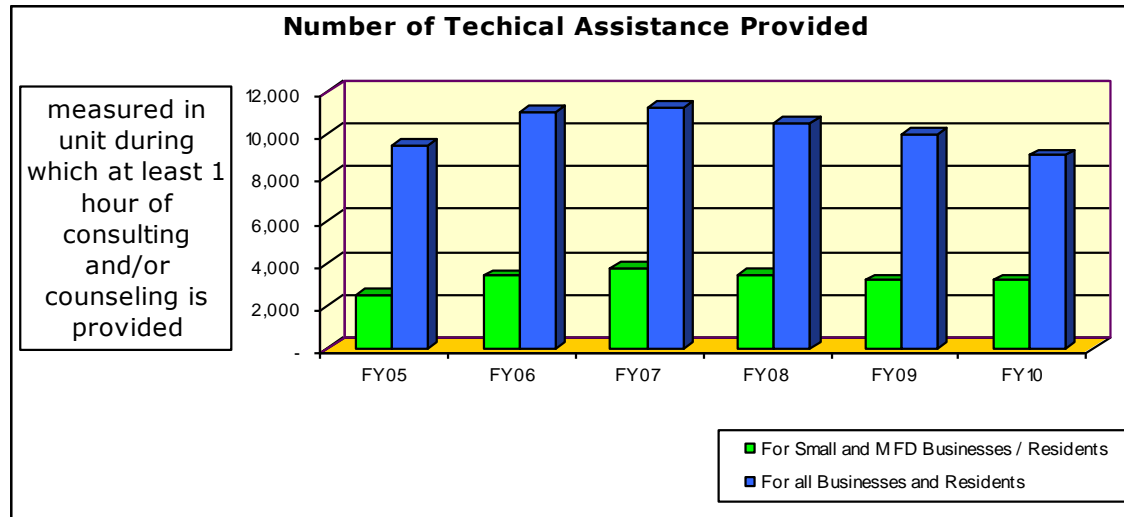
CountyStat Analysis & Recommendations

- Monitor and report trends on new revenue created and capital investment induced on a consistent scale to assist in comparative analysis of individual variable performance

New Revenue and Capital Investment Induced



Measure 5: Number of Units of Technical Assistance Provided



- This performance measure sums the direct hands-on technical assistance provided by DED and its program partners to a broad spectrum of residents and businesses, with an emphasis on serving small, minority and women owned businesses.
- The “Unit” is defined as at least one hour of face to face meeting between customer, and DED and/or its program partners during which information, advice, referral, and collateral materials pertinent to business topic discussed were handed out.



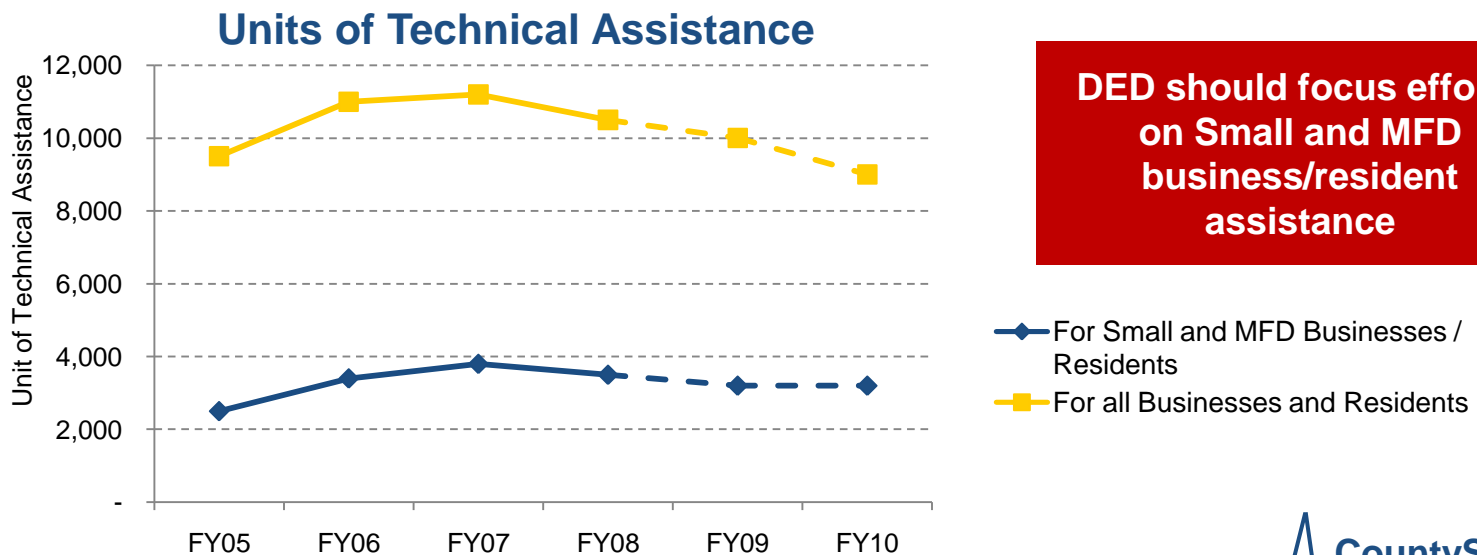
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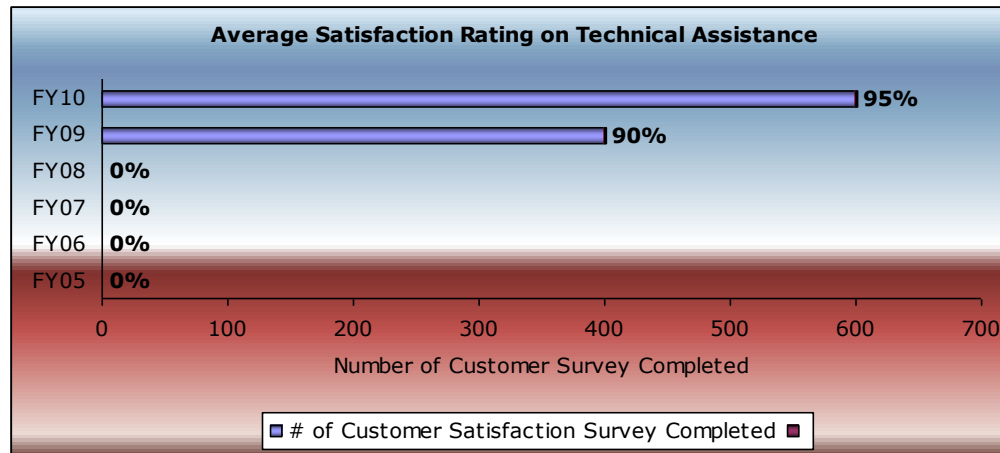
Measure 5: Number of Units of Technical Assistance Provided

CountyStat Analysis & Recommendations

- Convert from headline to supporting measure for Measure 6 to better illustrate the outcome of technical assistance
- Examine feasibility of capturing technical assistance that is less than one hour in duration
- Provide online “Frequently Asked Questions” section that answers many common technical assistance questions to ensure residents can get the answers they need in a timely fashion
- Consider development of supporting measure that captures duration of technical assistance to better track departmental efficiency



Measure 6: Average Satisfaction Rating on Technical Assistance Provided



- All DED work unit provide output for this measure, as well as several community partners such as SBDC and LEDC that have a contractual arrangement with DED for service delivery.
- If this measure is adopted, DED plans to either institute a survey requirement as part of its process in providing technical assistance, or conduct web/mail survey using the contact information provided during the intake process. If mail survey is used, a statistical sampling method will be used to determine the sampling population to ensure broad representation while controlling costs.

DED has not formally and regularly surveyed its customers.



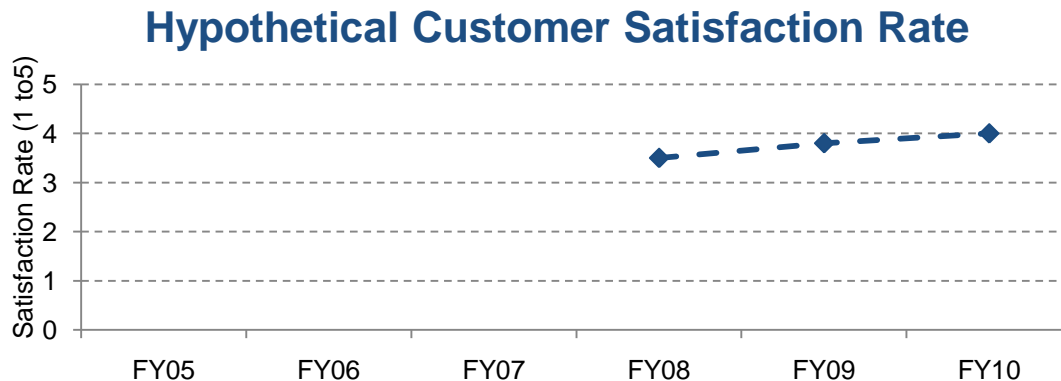
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Measure 6: Average Satisfaction Rating on Technical Assistance Provided

▪ CountyStat Analysis & Recommendations

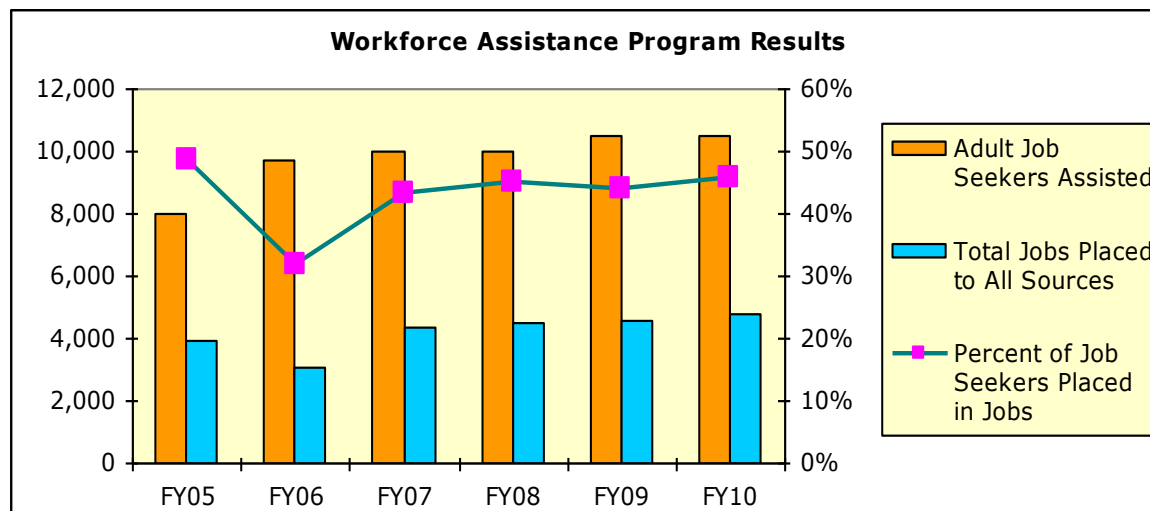
- Use technical assistance call log to identify a population for conducting customer service survey
 - Create paper-based and electronic survey tools to capture both walk-in and call population
 - Capture a random sampling of survey respondents to create a baseline for current DED customer satisfaction
- Track DED customer satisfaction ratings over time to identify opportunities to improve customer service



The DED customer service survey will help determine technical assistance success by business size and type of request



Measure 7: Result of Workforce Assistance Program



- This performance measure summarizes the effectiveness of the myriad of services DED provides to help place unemployed adults, dislocated, low-income, older, disadvantaged workers and youth into meaningful jobs.

DED also addresses the workforce needs of the business community by assisting in recruitment efforts and providing training programs and grants to employers.



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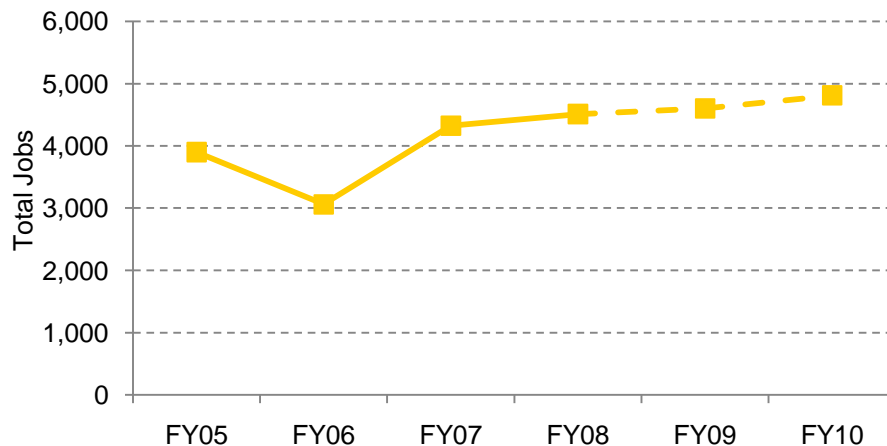
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Measure 7: Result of Workforce Assistance Program

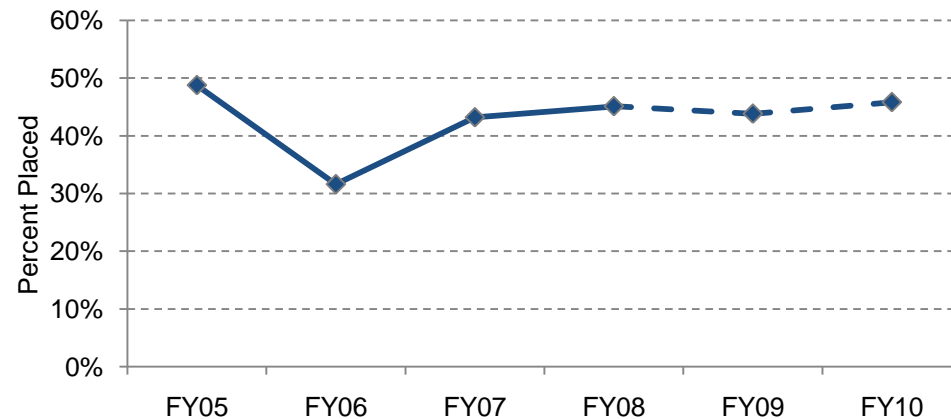
▪ CountyStat Analysis & Recommendations

- Repurpose measure to better demonstrate acceptable levels of performance
 - Use aggregate annual totals and percentage in measure
 - Monitor annual totals to ensure that County performance meets or exceeds regional and national performance
- Use data to inform analysis of which types of why job seekers face difficulty finding employment and tailor services to meet population needs

Total Jobs Placed to All Sources



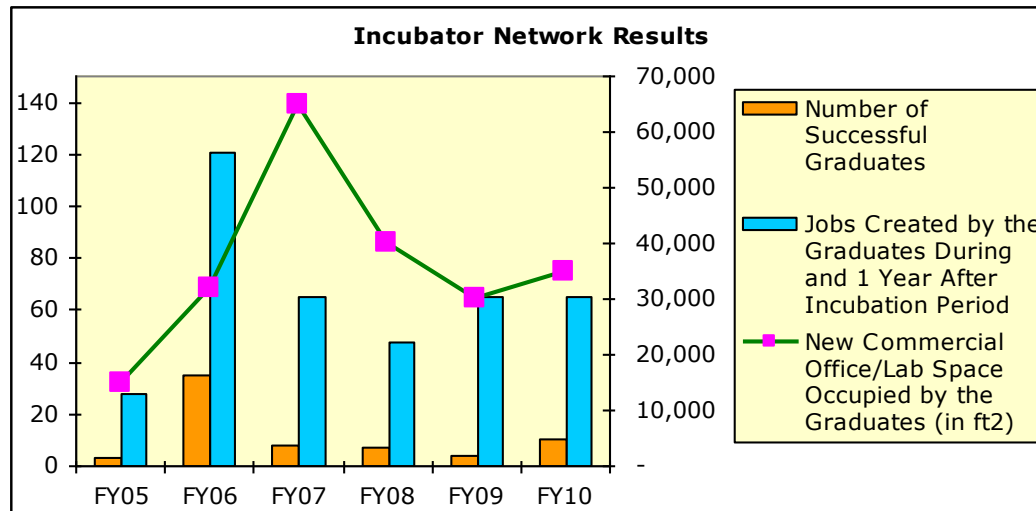
Percent of Job Seekers Placed



Accurately defining terms such as “meaningful jobs” will help DED better articulate their performance and identify areas for improvement



Measure 8: Results of the Incubator Network Operation



- Since most of the Incubators experience significant growth within 1-3 years of graduation, two, or three year running average might be used instead of reporting an annual outcome.
- Even after graduation, most incubator companies are still in R&D phase where most of their capital expenditures are tax-exempt. As such, job creation numbers and the commercial space consumption are the better indicators of their success and impact to the County.

At any given time, the Incubator Network incubates 75-90 early stage technology and service companies and graduates on average eight companies per year.



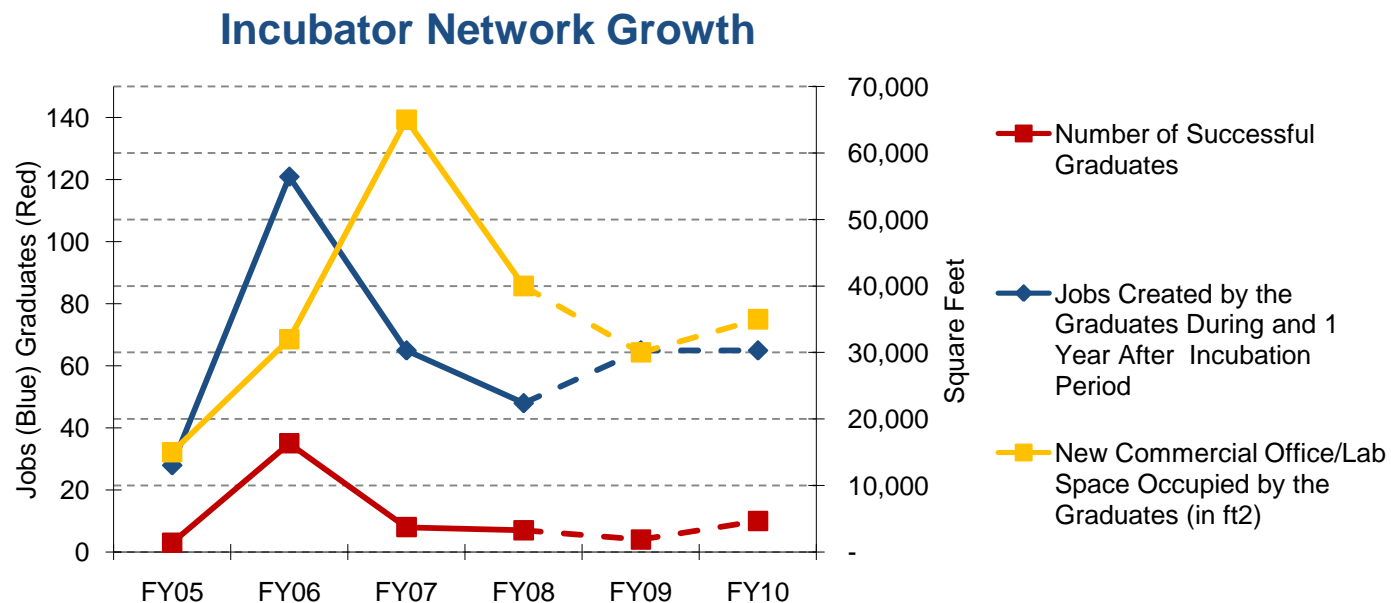
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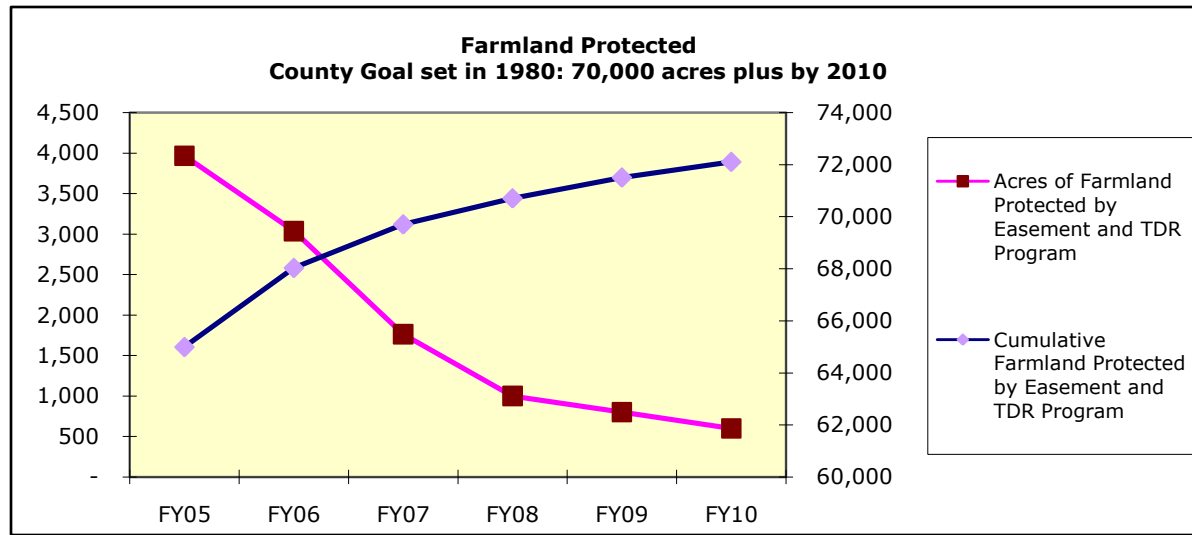
Measure 8: Results of the Incubator Network Operation

▪ CountyStat Analysis & Recommendations

- Report on a running three year average to better capture initial business growth and development
- Compare Incubator Network Growth figures with regional and national figures to establish a baseline for performance in Montgomery County



Measure 9: Preservation of Farmland



- This performance measures DED's efforts in attaining the mandated goal set by the County in 1980 to preserve farmland as a resource for future agricultural production capabilities, and in preserving green space for County residents.
- This effort also creates more compact, livable communities and preserves open space.

As of FY2008 the County has preserved 70,706 acres of farmland through the Easement and TDR Program



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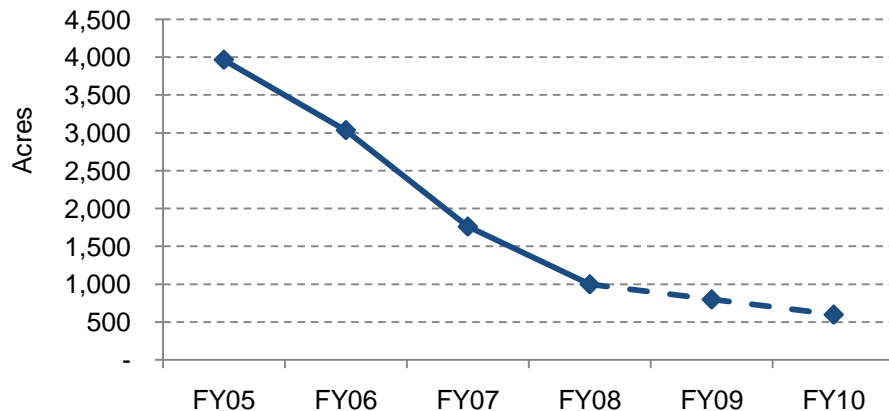
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Measure 9: Preservation of Farmland

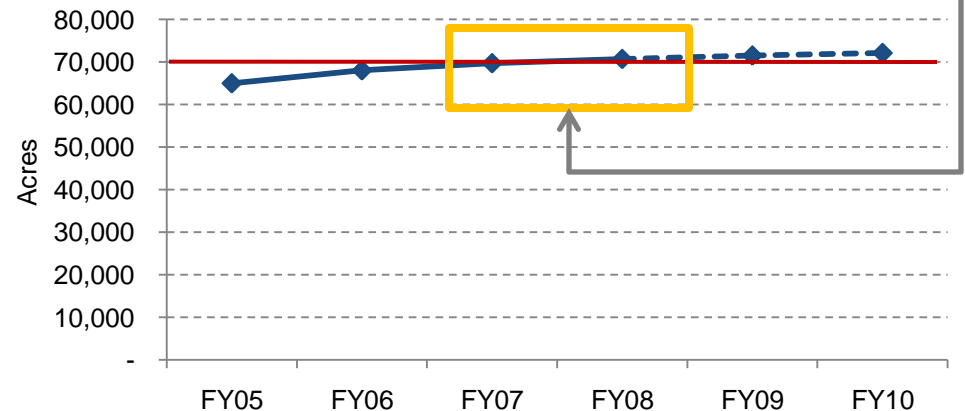
CountyStat Analysis & Recommendations

- Create delineation between total acreage of farmland protected and projections of how much is preserved each year
 - Allows for the establishment of annual targets
 - Potentially shift measure from total acreage to percentage of annual target acreage preserved
- Conduct cost-benefit analysis of how far the County should exceed the 70,000 acre threshold

Acres of Farmland Protected by Easement and TDR Program



Cumulative Farmland Protected by Easement and TDR Program



Wrap-Up and Follow-Up Items

Follow-Up Items

Performance Plan Updating

